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SUBJECT: AMBASSADOR PROMOTES FTA IN TRUJILLO

¶1. (SBU) Summary. During his June 12 trip to Trujillo, a city along the northern coast, the Ambassador met with local dignitaries and agricultural producers to discuss the U.S.-Peru free trade agreement and economic development. The Ambassador, accompanied by press, toured a Peruvian agricultural processing plant - a plant that not only exports to the United States but also serves as a model for other companies with social responsibility programs. The Ambassador also spoke at the Chamber of Commerce, explaining the realities of the U.S.-Peru FTA and how it will help enable the incoming government to reduce poverty. End Summary.

Promoting Corporate Social Responsibility

¶2. (U) The Ambassador, during a June 12 trip to the coastal city of Trujillo, met with officials from the DanPer agricultural plant, a Peruvian company that produces and exports products including asparagus, artichokes and pequillo pepper. DanPer, which began its operations in 1994, employs more than 3,300 people, 60 percent of whom are women. The company is known for its strong social responsibility programs, including building its own medical clinic where it provides free vaccines for workers and their families, establishing a good working environment, recycling, and working with poorer communities to teach people the importance of hygiene and sanitation.

¶3. (U) In its 12 years of operation, DanPer witnessed a 642 percent increase in its exports, from \$4 million in 1994 to \$29.7 million in 2005. Exports to the U.S. have also increased dramatically, from 19 percent in 2003 to 51 percent in 2005. During a tour of the DanPer plant, the Ambassador, accompanied by the local press, explained how the FTA would benefit agricultural producers, such as DanPer. He noted that asparagus, which is one of Peru's leading agricultural exports, currently enters the U.S. market duty free under ATPDEA. With the FTA, duty free benefits continue; however without the FTA, Peruvian asparagus would be assessed a 9 percent tariff, making the product less competitive in the U.S. market.

FTA Outreach

14. (U) The Ambassador also took the opportunity to discuss the realities of the FTA at the Chamber of Commerce. Addressing an audience of more than 100 people, the Ambassador explained how the FTA is a strategy to reduce poverty in Peru, a prevalent theme during the elections. By promoting trade capacity building and growth of exports in high-value sectors, Peru will be able to create new jobs in the formal sector. The Ambassador also rebutted several myths about the FTA, noting that smaller countries such as Chile, Morocco and Singapore experienced significant economic benefits from trade with the United States due to their bilateral FTAs. On the topic of medicines, the Ambassador emphasized that 98 percent of medicines in Peru are generic and that the new intellectual property and data protections will not affect the price of these medicines. He noted, however, the medicine prices will also decrease under an FTA due to improved government procurement processes and the elimination of the EsSalud 20 point preference system.

15. (U) Using NAFTA as an example, the Ambassador acknowledged that there are winners and losers from trade. In agriculture, although the timeframe for reduction of tariffs is long for sensitive products, the Peruvian Government needs to learn from Mexico's mistakes and establish an internal agenda to respond to competition from U.S. producers. The Peruvian Government is developing a compensation program for agricultural producers, but it should also encourage small farmers to manufacture products that have a high export value, such as asparagus, artichokes and peppers.

Comment

16. (SBU) Trujillo, a decidedly pro-FTA area, has benefited greatly from ATPDEA. Over the past three years, the region has seen a 9 percent decrease in its poverty rate. This reduction in poverty is linked to the creation of export-oriented jobs under ATPDEA. Officials in Trujillo (many of which belong to the APRA party) eagerly await the Peruvian Congress' decision on the FTA and expects that other departments in Peru will look to Trujillo as a model of economic growth and prosperity through trade.

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